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Message Text

SECRET

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12
ACTION SS-25

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S E C R E T CAIRO 5604

EXDIS

E.O. 11652: GDS
TAGS: EAID US JA EG
SUBJECT: JAPANESE PARTICIPATION IN FINANCIAL
AID FOR EGYPT

REF: A. CAIRO 4765; B. STATE 114365

1. AT SUEZ CANAL REOPENING CEREMONY YESTERDAY, JAPANESE AMBASSADOR WADA SAID HE NEEDED URGENTLY TO TALK TO ME. FAHMY HAD SUMMONED HIM PREVIOUS DAY TO MAKE FORMAL EGYPTIAN PITCH FOR INCREASED JAPANESE ASSISTANCE TO HELP EGYPT IN ITS CURRENT LIQUIDITY CRISIS. FAHMY HAD TOLD HIM SUBJECT DISCUSSED AT SALZBURG SUMMIT TALKS, WHERE USG HAD AGREED TO DOUBLE ITS ECONOMIC ASSISTANCE TO EGYPT AND TO URGE WEST EUROPEAN AND JAPANESE DONORS TO INCREASE THIR HELP. FAHMY REPORTEDLY CITED THREE BILLION DOLLAR FIGURE AS EGYPT'S SHORTFALL AND STRESSED EGYPT'S DESIRE TO CONVERT EXISTING SHORT-TERM TO MEDIUM-TERM OBLIGATIONS. NOTING FAHMY'S PRESENTATION WAS SOMEWHAT DIFFERENT FROM WHAT WE HAD PREVIOUSLY DISCUSSED (REFTEL A) AND WHAT THE SECRETARY HAD SUBSEQUENTLY DISCUSSED WITH JAPANESE REPRESENTATIVES, WADA ASKED FOR CLARIFICATION. HE RECALLED JAPANESE HAVE TENTATIVELY TALKED OF PROVIDING AN ADDITIONAL 100 MILLION DOLLARS AS ASSISTANCE FOR EGYPT, BUT OPINED JAPAN HAS IN MIND DOING THIS
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THROUGH INCREASED COMMODITY ASSISTANCE LOANS

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RATHER THAN THROUGH CASE GRANT AS FAHMY HAS IMPLIED
WAS DESIRED.

2. I TOLD WADA THAT EGYPTIANS HAD INDEED SURFACED
A 1.6 BILLION EGYPTIAN POUND FIGURE AT SALZBURG,
WHICH IS PROBABLY BASIS FOR FAHMY'S THREE BILLION
DOLLAR FIGURE. THEY HAD SUGGESTED HALF WOULD BE
OBTAINED FROM ARAB SOURCES, WHILE REMAINING HALF
WOULD BE PROVIDED BY US, WESTERN EUROPE AND JAPAN.
WE HAD STRESSED NEED TO MAINTAIN US-SAUDI-
IRAN CORE CONCEPT. THE 1.6 BILLION EGYPTIAN POUND
FIGURE IS SOMEWHAT UNCLEAR TO US, SINCE IT DOES NOT
SQUARE WITH OUR ANALYSIS OF EGYPTIAN FINANCIAL
DATA PREVIOUSLY PROVIDED. WE WILL PROBABLY AT SOME
POINT HAVE TO HAVE MORE DISCUSSIONS WITH THE
EGYPTIANS ON THE MAGNITUDE OF THEIR REQUIREMENT,
BUT IN THE MEANTIME ARE PROCEEDING WITH OUR EFFORTS
TO DEVELOP US AND MULTILATERAL ASSISTANCE FOR EGYPT
TO COPE WITH ITS LIQUIDITY PROBLEM. I THOUGHT WE
WOULD AGAIN BE DISCUSSING SUBJECT WITH JAPANESE
AUTHORITIES. I OUTLINED FOR HIM OUR TENTATIVE THINKING
ON US ASSISTANCE TO EGYPT, INCLUDING SWITCHING
SOME FUNDS FROM PROJECT TO PROGRAM AID AS PRIMIN
SALEM HAD SUGGESTED.

3. WADA SAID JAPANESE GOVERNMENT IS IN PRINCIPLE
PREPARED HELP MODERATE SADAT REGIME, BUT SEEMED
UNSURE OF CONSTITUTIONAL AND ADMINISTRATIVE MODALITIES
TO DO SO.
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